

November 9, 2001

Councilman Thomas Carmody  
Chairman, Shreveport City Council  
P. O. Box 31109  
Shreveport, LA 71130-1109

Dear Councilman Carmody:

Subject: IAR 220701-08 - 2001 Annual Follow-up

Attached please find the above-referenced report.

Sincerely,

Leanis L. Graham, CPA, CIA  
City Internal Auditor

jm

**Note:** *This report only includes the Introduction, Annual Report, and Index from the 2001 Follow-Up. Due to the report's length, the detailed sections are not included.*

## **2001 ANNUAL FOLLOW-UP CITY OF SHREVEPORT INTERNAL AUDIT REPORT (IAR) 220701-07**

### **OBJECTIVES**

We have completed the annual follow-up on 341 audit recommendations that were cited in Internal Audit reports issued during January 1, 1998, to December 31, 2001. We have also followed-up on 164 incomplete recommendations carried forward from the 1998 annual follow-up (IAR 220398-14 dated December 31, 1998). The follow-up objectives were to determine progress made toward implementation of the recommendations contained in each report. This determination encompassed the status of the implementation and the effectiveness of the procedures put in place.

### **SCOPE AND METHODOLOGY**

Our follow-up was performed in accordance with Operating Instruction A. 210 of the Internal Audit Office Operating Instructions Manual. The scope of the follow-up included a determination as to whether the audit recommendations had been implemented during the period subsequent to the release of each report. The follow-up methodology included requiring City management to complete and sign questionnaires that defined the status of each recommendation as follows:

- **COMPLETE** -- The recommendation or some other action was taken and the deficiency appears to be effectively corrected.
- **PARTIALLY COMPLETE** -- The recommendation or some other action has been taken; however, the deficiency has not been corrected or only part of the recommendation has been implemented.
- **NO PROGRESS** -- No action has been taken.
- **NO LONGER APPLICABLE** -- The recommendation no longer applies to the entity due to organizational and procedural changes, etc.

When management's questionnaire response indicated complete or no longer applicable, the follow-up methodology included:

- Interviewing appropriate operating personnel.
- Testing compliance with established or stated policies and procedures.
- Determining the effectiveness of established or stated policies and procedures.

When management's questionnaire response indicated partially complete or no progress, the follow-up methodology included:

- Reviewing management's written explanations and the documentation they returned for reasonableness.
- Interviewing management for clarification when necessary.

### **BACKGROUND**

Much of the benefit from audit work is not in the findings reported or the recommendations made, but in their effective resolution. City management is responsible for resolving audit findings and audit recommendations, and having a process to track their status can help management fulfill this responsibility. The Internal Audit Office began the tracking process with the 1992 Annual Follow-up report (IAR 220593-06 dated May 3, 1993). Since December 31, 1991, the

Internal Audit Office has made 1,482 audit recommendations. The statuses of all 1,482 recommendations are as follows:

- Complete -- 1069 or 72%
- Partially Complete -- 216 or 15%
- No Progress -- 66 or 4%
- No Longer Applicable -- 131 or 9%

The following table summarizes the results of each follow-up report, and covers the period from December 31, 1991, through December 31, 2000.

Follow-up Report Titles:	2000 Annual Follow-up	Pre 1998 Annual Follow-up	Total
Follow-up Report Issue Dates:	11/9/01	12/31/98	
Period Covered:	1/1/98 to 12/30/00 (36 mos.)	12/31/91 to 12/31/97 (72 mos.)	
Report Types Issued:			
# Audit Reports:	19	35	54
# Limited Review	4	14	18
# Special Reports:	9	21	30
# Auditing Alerts:	9	21	30
# Investigative Reports	5	1	6
Total Reports with Recommendations:	46	92	138
Number of New Recommendations:	346	1136	1482
Number of Partially Complete and No Progress Recommendations carried forward from prior follow-up period	187	544	731
Total Recommendations followed-up on per follow-up reports:	533	1680	2213
Recommendation Statuses:			
# Complete:	264 or 49%	892 or 53%	1156 or 52%
# Partially Complete:	112 or 21%	619 or 37%	731 or 33%
# No Progress:	68 or 13%	112 or 7%	180 or 8%
# No Longer Applicable:	89 or 17%	57 or 3%	146 or 7%

## **CONCLUSIONS/FINDINGS/RECOMMENDATIONS**

Overall, the City's management had made substantial and significant progress toward the implementation of the audit recommendations contained in the various reports. We believe that the completion of the audit recommendations has helped to ensure that the entities examined are operating more efficiently and effectively. For the entities where implementation remains incomplete, we feel that a greater effort should be made in achieving completion. To aid in identifying those areas where implementation remains incomplete, the following departmental summaries are provided.

Department	Complete	Partially Complete	No Progress	No Longer Applicable	Total
Airports	69 or 88%	9 or 12%	0 or 0%	0 or 0%	78
Community Development	118 or 87%	3 or 2%	0 or 0%	15 or 11%	136
Finance	205 or 83%	14 or 6%	24 or 10%	4 or 1%	247
Fire	84 or 88%	5 or 5%	1 or 1%	6 or 6%	96
Mayor/CAO	132 or 58%	19 or 8%	8 or 3%	70 or 31%	229
Police	39 or 80%	9 or 18%	1 or 2%	0 or 0%	49
DOS	183 or 88%	16 or 8%	2 or 1%	8 or 3%	209
SPAR	298 or 80%	17 or 5%	12 or 3%	43 or 12%	370
MPC	0 or 0%	0 or 0%	16 or 100%	0 or 0%	16
SPORTRAN	17 or 89%	2 or 11%	0 or 0%	0 or 0%	19
CSSUTC	4 or 40%	4 or 40%	2 or 20%	0 or 0%	10
City Marshall	3 or 21%	11 or 79%	0 or 0%	0 or 0%	14
Personnel	4 or 45%	3 or 33%	2 or 22%	0 or 0%	9
<b>TOTAL</b>	1,156 or 78%	112 or 8%	66 or 4%	146 or 10%	<b><u>1,482</u></b>

The following index is organized by department for clarity with the most recent reports listed first. **Partially Complete** and **No Progress** findings are identified by caption and status and have been renumbered for clarity. The finding number as delineated in the actual report is referenced in subscript (where applicable) at the end of the finding caption. The specific partially complete and no progress recommendations are contained in the body of this report.

Prepared by:

Douglas W. Sanders, CFE, CGFM  
Supervising Senior Auditor

Tamika Ford  
Staff Auditor

Approved by:

Leanis Graham, CPA, CIA  
City Internal Auditor

DS;jm

**ANNUAL REPORT  
OPERATIONS OF THE CITY  
FOR THE YEAR ENDED DECEMBER 31, 2000**

**OBJECTIVES**

We have completed a review of the operations of the City for the year ended December 31, 2000. Our objectives included the following:

- ▶ Express a conclusion regarding operations under review for the period January 1, 1998, through December 31, 2000;
- ▶ Report on areas in need of management's immediate attention;
- ▶ Report on the most recent external audit opinions; and
- ▶ Report on the most recent external audit management letter.

**SCOPE AND METHODOLOGY**

Our review was performed in accordance with generally accepted governmental auditing standards, as defined in Section A. 50 of the Internal Audit Office Operating Instructions Manual. The scope of the study of internal controls was limited to assessing the general controls surrounding the specific audits, limited reviews, and special reports completed during January 1, 1998, through December 31, 2000 by the Office of Internal Audit (OIA). General audit procedures included specifically referenced procedures noted in each audit. Other audit procedures utilized to complete this report included the following:

- ▶ Reviewing/analyzing audits, limited reviews, and special reports completed during January 1, 1998, through December 31, 2000;
- ▶ Reviewing/analyzing open recommendations as of the latest annual follow-up;
- ▶ Reviewing most recent external audit opinions; and
- ▶ Reviewing most recent external audit management letter.

**BACKGROUND**

The Charter of the City of Shreveport, 1978, Section 4.25, states "...The City internal auditor shall...(b) Issue a report to the council at least annually on all operations of the City."

**CONCLUSIONS/FINDINGS/RECOMMENDATIONS**

With the exception of those issues noted in this report and the referenced audits, limited reviews and special reports, we believe the operations of the City are generally:

- ▶ Being properly conducted in accordance with standards for governmental accounting and

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- generally accepted accounting controls;
- ▶ Operating within their budgetary controls;
- ▶ Complying with the Louisiana Constitution, City Charter, city ordinances, and all other applicable laws and regulations;
- ▶ Being managed and utilized in an economical and efficient manner;
- ▶ Adequately insuring timeliness and reliability of information in the management information system, administrative procedures and organizational structures;
- ▶ Properly accounting for and safeguarding from the loss of city property; and
- ▶ Achieving objectives or benefits.

### **METHOD OF EVALUATION**

We evaluated the importance of open recommendations based on the following criteria:

**High Risk** - The risk of not implementing the recommendation could result in the possibility of fraud, waste, and abuse of City assets; interrupted and/or disrupted operations; the entity's mission not being met; and adverse publicity.

**Medium Risk** - The risk of not implementing the recommendation could result in continuing, significant operating inefficiencies and high level non-compliance issues.

**Low Risk** - The risk of not implementing the recommendation could result in continuing operating inefficiencies and some low level non-compliance issues.

### **OPERATIONS UNDER REVIEW DURING THE FOLLOW-UP PERIOD**

During the follow up period, we completed 46 audits, limited reviews, special reports, and other reports, which contained 346 recommendations. (Refer to the 'Reports' section for a listing of all audit reports.)

Of the 346 suggested recommendations, we noted the following statuses:

- ▶ 177 (51%) recommendations were determined to be complete because the action management had taken was sufficient to mitigate the control deficiencies.
- ▶ 70 (20%) recommendations were determined to be partially complete because the action management had taken was not sufficient to mitigate the control deficiencies.
- ▶ 48 (14%) recommendations were determined to have no progress because management had taken no action to mitigate the control deficiencies.
- ▶ 51 (15%) recommendations were determined to be no longer applicable.

The following is a list of open recommendations from the above-referenced reports which we consider **high risk** and require immediate correction. Because of the extent or risk associated with

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these findings, correction should have the highest priority.

- ▶ Conduct an inventory of assets assigned to the entity and reconcile to City records.
- ▶ Strengthen controls over the administration of City grants to community organizations.
- ▶ Strengthen warehouse/inventory controls over equipment, supplies, food items, etc.
- ▶ Strengthen controls over cash collected for user fees, class fees, food sales, lessons, etc. at the various City-wide locations.
- ▶ Strengthen the control environment at the Shreveport Police Department, Property Management Bureau.
- ▶ Strengthen monitoring controls over boards, commissions, and governmental component units.

The following is a list of open recommendations from the above-referenced reports which we consider **medium risk** and require correction. Because of the extent or risk associated with these findings, correction should be accomplished expeditiously.

- ▶ Strengthen the control environment by developing and/or updating a policy and procedures manual.
- ▶ Communicate and dispense applicable city policies and procedures to outlying offices and work sites.
- ▶ Automate manual tasks and enhance electronic data processing (EDP) controls.

The remaining open recommendations from the above-referenced reports are considered **low risk** and should be resolved in a timely manner.

**OPEN RECOMMENDATIONS FROM PREVIOUS YEARS**

The 1998 annual follow-up contained 187 open recommendations addressing actions necessary to remedy the observed deficient conditions. Our 2001 follow-up review indicated that management had, for the most part, taken appropriate measures to mitigate the control weaknesses for 87 of the 187 remaining suggested recommendations. (Refer to the 'Reports' section for a listing of all audit reports.)

Of the 187 open recommendations, we noted the following statuses:

- ▶ 87 (47%) recommendations were determined to be complete because the action

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- management had taken was sufficient to mitigate the control deficiencies.
- ▶ 42 (22%) recommendations were determined to be partially complete because the action management had taken was not sufficient to mitigate the control deficiencies.
- ▶ 20 (11%) recommendations were determined to have no progress because management had taken no action to mitigate the control deficiencies.
- ▶ 38 (20%) recommendations were determined to be no longer applicable.

The following is a list of open recommendations from previous years which we consider **high risk** and require immediate correction. Because of the extent or risk associated with these findings, correction should have the highest priority.

- ▶ Conduct an inventory of assets assigned to the entity and reconcile to City records.
- ▶ Strengthen controls over cash collected for user fees, class fees, food sales, lessons, etc. at the various City-wide locations.

The following is a list of open recommendations from previous years which we consider **medium risk** and require correction. Because of the extent or risk associated with these findings, correction should be accomplished expeditiously.

- ▶ Strengthen the control environment by developing and/or updating a policy and procedures manual.
- ▶ Communicate and dispense applicable city policies and procedures to outlying offices and work sites.
- ▶ Provide better supporting documentation for board decisions, insurance claims, etc.
- ▶ Improve method for documenting and resolving customer complaints.

### **FISCAL YEAR 2000 EXTERNAL AUDIT OPINIONS**

KPMG LLP, the external auditors for the City of Shreveport, issued an Independent Auditor's Report on the Comprehensive Annual Financial Report for the City of Shreveport for the period ending December 31, 2000. The opinion was dated March 31, 2001. The opinion expressed by the external auditors was an unqualified opinion.

KPMG LLP, also issued an Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting based on an Audit of Financial Statements. The opinion, with regard to compliance, indicated tests disclosed no instances of noncompliance that were required to be reported. However, certain immaterial instances of noncompliance were noted and reported to management in a separate letter, as noted in the next section. The opinion with regard to internal



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control over financial reporting indicated tests disclosed no instances of material weaknesses. However, other matters involving internal control were reported in a separate letter, as noted in the next section.

KPMG LLP, also issued an Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133. The opinion with, regard to this compliance issue, indicated that the City of Shreveport complied with the requirements referenced in each of its major federal programs. The opinion, with regard to internal control over compliance, indicated tests disclosed no instances of material weaknesses. However, other matters involving internal control were reported in a separate letter, as noted in the next section.

### **FISCAL YEAR 2000 EXTERNAL AUDIT MANAGEMENT LETTER**

KPMG LLP, issued a management letter dated March 30, 2001. The following matters were presented in the letter with regard to internal control and other operational matters.

#### **AIRPORT**

**Aging of Accounts Receivable**

**Accurate Billing of Accounts Receivable**

**Timely Request for Reimbursement from Federal Aviation Administration**

#### **COMMUNITY DEVELOPMENT FUND**

**Revenue Recognition Reimbursement Reconciliation**

**Davis-Bacon Act Control Procedures**

#### **PURCHASING**

**Small Purchase Procurement Card**

#### **CAPITAL ASSETS**

**Review Capitalization Policy**

#### **CAPITAL PROJECTS FUNDS**

**Deficit Fund Balances**

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**OVERALL EVALUATION**

Overall, the City's management had made substantial and significant progress toward the implementation of the audit recommendations contained in the various reports. We noted that management had either completed or taken some action in the implementation for **86%** of the recommendations made during the period December 31, 1991, through December 31, 2000. We believe that the implementation rate is indicative of management's concurrence with the recommendations in addition to the effectiveness of the Internal Audit Office in accomplishing its mission as outlined in the City Charter, Section 4.25.

We believe that the completion of the audit recommendations has helped to ensure that the entities examined are operating more efficiently and effectively. For the entities where implementation remains incomplete, we feel that a greater effort should be made in achieving completion. To aid in identifying those areas where implementation remains incomplete, refer to the "**Reports**" section of this report.

Prepared by:

Douglas W. Sanders, CFE, CGFM,  
Supervising Senior Auditor

Approved by:

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City Internal Auditor

dws

c: Mayor  
CAO  
City Attorney  
City Council  
Clerk of Council  
External Auditor